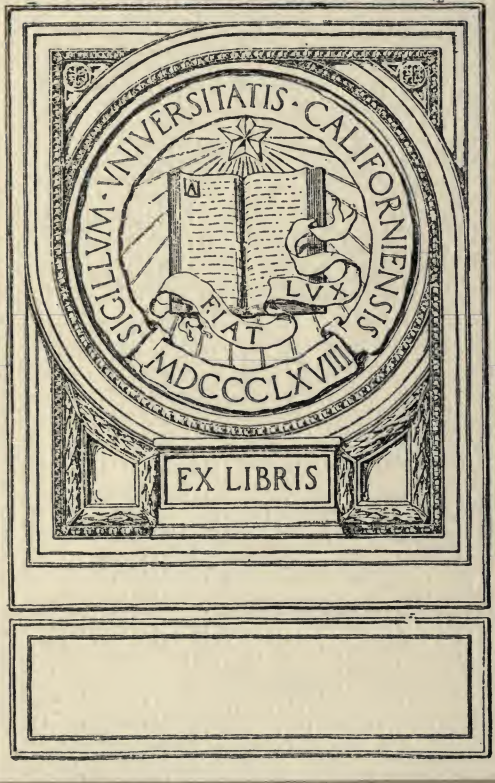
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HOW TO REDUCE YOUR INCOME TAX BY LIBERTY CURRENCY

BY

ARTHUR EDWARD STILWELL

Author of
"The Great Plan—How to Pay for the War,"
"Universal Peace," etc. etc.

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"Liberty Currency will prevent any fall in price after the war, and will fulfil, as it were, the function of first-aid to the injured financial resources of the nations."

SECOND IMPRESSION

HODDER AND STOUGHTON
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Preface

THIS little booklet is written in explanation of a scheme which is intended, primarily, as an introduction to "The Great Plan," which the author has described in the book recently published under that title, by Messrs Hodder & Stoughton; which Plan, he hopes, will be adopted by the world, and will lift from it all the burdens of debt imposed by the Great War. But he realises that the adoption of the Great Plan must be a matter of time, since time alone will prove to the world the need for such an expedient. This war will soon reach its conclusion; the long-anticipated day of peace is almost in sight; and when that day arrives instantaneous financial aid must be available.

Contents

CHAP.		PAGE
1.	LIBERTY CURRENCY	9
2.	REASONS FOR THE INTRODUCTION OF LIBERTY CURRENCY	19
3.	WHO CAN OBJECT?	27
4.	AFTER-WAR CONDITIONS	30
5.	A FIFTY YEARS' LEAP, OR MONEY *versus* REQUIREMENTS	43
6.	THE STRENGTH OF THE NATION	50
7.	HOW TO REDUCE YOUR INCOME TAX	55
8.	CONCLUSION	60

How to Reduce your Income Tax by Liberty Currency

CHAPTER I

LIBERTY CURRENCY

THIS is the morning of a new age.

A fixed plan for the day of peace is a mighty power.

This booklet will outline the plan of Liberty Currency, which would lift nearly one-half of the war debts of Great Britain, and make a large reduction in all income taxes the first year of its adoption.

Liberty Currency seems an appropriate name, as the bonds it would displace were issued to bring liberty; and if these bonds were exchanged for this currency it would bring liberty to the trade of Great Britain.

This currency would have every safeguard. It would not be issued unless needed, and half

of it would be retired any year after the fifth year, and replaced by fifty-year 5 per cent. bonds. One-fiftieth of it would be withdrawn and paid each year in gold, after the fifth year. It would be legal tender, and issued in the same denominations as the Bank of England notes.

The foundations of Liberty Currency must be something more than a Government decree and a printing-press. It must not be fiat money, otherwise it would defeat the object for which it was issued. The first step for the Government to take is to raise the price of gold 50 per cent.; the increased costs demand it, and will demand it from now on. Then the low-grade Rand mines, and other mines now about to give up, can produce all they have produced in the past, and no doubt augment the production. If the price of gold cannot be raised, then a bonus of £2 per ounce should be paid, as during this world crisis it is the duty of all nations to stimulate gold production, and not allow it to decrease, as it will if the market price is not increased or a bonus paid.

The gold production of the world is rapidly

decreasing. In the last two years the production of gold in the United States has fallen from $101,000,000 to $84,000,000, and in the last six months the gold production of California alone has decreased by $3,000,000; the production of South African mines also has greatly decreased. Why the Governments have allowed this condition to continue no one is able to explain, as more gold is needed now than ever before, and its production should be stimulated. One striking example is that of the Liberty Bell Mine of Colorado, where the expenses of mining and milling in 1915 were $3·70 per ton; now they are nearly $11·00 per ton. The reason why gold has not been increased in price is the desire to maintain a fixed price, the unwillingness to break away from precedent. The cost of producing gold will never again return to pre-war prices. Had the same iron rule been adhered to regarding the price of copper and steel, the Germans would have long ago been victorious.

Liberty Currency must be legal tender for all Government and private debts; it should be issued in the same denominations as the Bank of England notes, and in fifty series,

numbered from one to fifty, to be payable when withdrawn in gold if the holder desired it. The production of British-owned gold mines yields each year enough gold to do this; but the fact that this currency could be paid in gold does not mean that when withdrawn gold would be used in its redemption, as on withdrawal it would be on deposit in the banks, and its redemption would call for the use of very little gold.

Liberty Currency would only be issued in exchange for war bonds or stock. The total issue would be limited to 3000 million pounds; it would be issued only to those that preferred it to their war stock or bonds, not more than one-sixth to be issued in any month. If the applications for it the first month were more than one-sixth, these applications would be filled out of the following month's issue, and so on.

The Government would withdraw one-fiftieth of the issue, or one series, each year after the fifth year of issue. The Government reserve the right to withdraw, any one year, half the remaining series not redeemed, and issue, for such withdrawn currency, Govern-

ment 5 per cent. fifty-year bonds. So if the Government wished to reduce the cash in the hands of the public, and increase the fixed debt, with its fixed interest charge, it would have the power to do so. All war stock or bonds exchanged for Liberty Currency would be at the price of issue and par for Liberty Currency.

The estimate of the amount of Liberty Currency to be issued by England is based on the inference that as much or more money will be needed the first years of peace as has been needed during the last two years to carry on the war.

No doubt the whole issue would be applied for. If it were, 3000 millions of England's war debt would be liquidated, and 5 per cent. on 3000 millions saved each year, reducing England's expenses by £150,000,000 per annum, and increasing the possibilities for the collection of great income and excess taxes during the next ten years.

The annual withdrawal would call for only 2 per cent. of the 5 per cent. interest which the debt would bear if it were not taken care of in this manner, and, by leaving it as war stock or bonds, the principal would still be left unpaid.

To handle it in this manner would require 3000 million pounds in fifty years. If it were left for fifty years in 5 per cent. bonds, it would require, during that period, for principal and interest, 10,500 million pounds; a loss during that time to the taxpayers of 7500 millions. To lift 3000 million pounds of Great Britain's war debt by Liberty Currency would leave about 4000 millions, in place of nearly 7000 millions, and there would be ample money to create the greatest era of prosperity ever known. This plan is just as applicable for Canada, New Zealand, Australia, France, and Italy as it is for England, and their needs are equally great.

Liberty Currency would offer first-aid to the injured financial resources of each nation. As in the battlefield the life of the injured depends on how quickly this aid is administered, so, in each nation, when peace comes, if financial aid is not immediately available, the very life of the industrial world will be at stake. The method by which this aid is to be given must be decided on now, so that it will drop automatically into place, as the

harness drops on the fire-horses the moment the gong sounds.

Liberty Currency, as outlined in this booklet, would at once mean increased financial resources, and it depends on the reader to see that this aid is at hand at the hour needed; otherwise great want will prevail. The after-war problems mentioned in this booklet are the same in all lands, but only the problems that confront England will be considered here.

The adoption of the Great Plan would cause world-wide prosperity. International exchange would at once be established on a rock foundation. Men would return home more quickly, and thus the fertility and production of the soil would be hastened by the ship- and man-power released. And this first-aid to the financial world (Liberty Currency) would carry each nation to the operating room in safety, where it is hoped the amputation of armies and navies will be successfully accomplished, and universal peace established.

After the war we must break the grip that holds us to the past. When this war is over there will be a new world, and we must adapt

ourselves to the new conditions. The future happiness of all peoples and nations depends upon how quickly this fact is realised and a plan adopted to provide for peace; otherwise great want and suffering will prevail among all peoples, government after government in all lands will be overthrown, and for a time, in some nations, there will be no government.

What the *per capita* wealth was before 1914 has nothing to do with what it must be in 1919. To attempt to force labour back to pre-war wages will be as impossible as to attempt to force a butterfly back to the caterpillar stage. To attempt to pay the nations' debts when due, except by the Great Plan, would be equally impossible. But by the adoption of Liberty Currency, which is the forerunner of the Great Plan, one-third to one-half of the war debts of England would at once be lifted, and in this way ample new money would be created to carry England over the most critical period of her financial, commercial, and industrial life.

Liberty Currency would lift one-third to one-half of England's war debts by an annual deferred charge of only 40 per cent. of what

the interest alone will be on this one-third if it is not handled as here suggested. This one-third of the war debt of England would be withdrawn so gradually that it could be redeemed, when due, in gold; and by what other method can one-third to one-half of this war debt be lifted?

Call Liberty Currency inflation if you will; but what are the appalling war debts but inflation?—and inflation so great that conscription of capital is considered by a great many thinking people to be the only remedy.

Liberty Currency partially removes the need for this drastic act. The Great Plan entirely removes it. If universal peace is not established after this war, the nations must incur tremendous expenditures; and the liquidation of one-third to one-half of the war debt of England would leave a little leeway for the increased debt which must follow if armies and navies are to be maintained. But whether universal peace be established or not, there is now, and will remain, great inflation of costs and prices, which cannot be met except by the increase of money in circulation. The *per capita* wealth has been in-

creasing for generations. The annual salary of an admiral five hundred years ago would have been equal to £7 per annum of our money. All great wars have been followed by increased prices. Inflation is the inevitable inheritance of a world at war.

Labour and prices will never return to pre-war standards, unless there is great industrial depression, forcing on the nations tremendous want, when starving men will be compelled to take starvation wages. And the cure in this case will be worse than the disease; for if it is attempted there will at once arise, like a mist from the sea, hundreds of isms to cure the prevailing conditions, and hell will reign in all lands, as it does now in Russia.

The adoption of the plan of Liberty Currency by England and other nations would avert this condition, and provide a temporary bridge over which the nations would pass in safety into the new and prosperous world which the Great Plan would bring about.

CHAPTER II

REASONS FOR THE INTRODUCTION OF LIBERTY CURRENCY

To supply the demands for money during this war, England has increased her debt to more than 6000 millions, and if the war ends in the spring of 1919 the debt will be at least 7000 millions.

When peace comes it will no longer be possible to continue the sale of war stock, for when any nation sells more bonds than it can pay, *they cease to be bonds and become only souvenirs.*

When peace comes, and the market for war stock is ended, there will be a rude awakening. The demand for money will be fully as great as it has been during the war. With war stock sales at an end, and no supply of money to satisfy the demand, it will be almost impossible to continue business. When

the restrictions on business are removed the rush to sell war stock will be like an avalanche of water from a broken dam. All the money in all the banks of England will be unable to satisfy that demand. There will be something like a panic. The demand for money for industrial development will cause bonds to fall in price five points between sales. It will be a legitimate demand for a legitimate purpose : the upbuilding of England's home and foreign trade ; and the people who have spent their all in the purchase of Government loans must and can be protected. Liberty Currency would prevent any fall in the price of bonds, and at the same time would provide ample money to give an immediate impetus to every department of industrial and commercial development.

Without Liberty Currency how can 1800 millions of bank deposits supply the demand for money ? During the first twelve months this demand will be treble the amount which all the banks together could supply ; but, if it is supplied, all men returning from the army will find productive and well-paid work awaiting them.

Suppose the war were to end to-morrow: all those industrial concerns which have been manufacturing non-essentials would wish to embark upon the work of reconstruction, since their cash has found no employment during the last two or three years; but all they could spare has been invested in war stock.

When peace is established, and Governmental restrictions removed, these industrial concerns will wish to resume their old positions in the manufacturing world, and will of course require an ample supply of cash for the great task confronting them. But what if 75 per cent. of their available resources are invested in war stock? Failing the adoption of Liberty Currency, there are only two means by which they can turn this stock into money. They can go to their banks and borrow it. Or they can attempt to sell their holdings on the market, with thousands of others doing the same. All the cash in all the banks of England could not provide the money for the loans which would be needed, and to resort to the Stock Exchange when the market would be glutted

with offers to sell would be hopeless. But are these alternatives necessary? Why should Lipton's Limited, if they needed £100,000 in cash, be forced to pay the 5 per cent. which they receive on their bonds to a bank in consideration for a loan? And observe, they could only borrow 75 per cent. of the market value on the bonds. Why should they be forced to sell the bonds at a discount? Would it not be much better to devise a plan whereby they could surrender their bonds to the Government and obtain the needed cash from the Government? The latter would save the 5 per cent. which the bank would otherwise get; Lipton's would obtain the price which they had paid for their stock; the debt would be cancelled; and all taxpayers would have less income tax to pay during the ensuing year. But these are not the only considerations in favour of Liberty Currency. The use of this money would increase the earning power of Lipton's Limited, and would add to the wealth of England by turning a block of war stock, which is a non-productive burden, into a productive asset. It would increase Lipton's

net income, and thereby yield the Government a larger amount in income tax from Lipton's Limited in the following year. Why should the bank earn this interest by exploiting Lipton's needs, when the Government might save the interest, and the taxpayer benefit by the cancelling of this debt?

For example, during the year 1917 over 2000 millions of war stock was placed. With the loans made by the United States, we may estimate that this must have increased England's war debt by nearly 3000 millions. The need for money was so great that 2000 millions of new war loans and over 600 millions of borrowed money from the United States was required to satisfy it. Had there been any other means of obtaining this money these methods would not have been resorted to, but there was no other way. Yet when the war ends the financial demands of England cannot be met by continued sales of war stock nor by uncovered loans from the United States.

If these are the only means by which an annual demand for 3000 millions can be met, and if these methods cannot be employed,

where will the money come from which will be required on the conclusion of peace?

The banks of England cannot supply such an amount, or they would have done so last year.

The only way to decrease the taxpayer's burden is the simple expedient of supplying an abundant issue of good money based on gold. If this is done there will at once be a boom in every department of trade and a great resumption of industrial activity. The earnings of our industries and industrial workers will be 200 or 300 per cent. higher than they would be were an ample supply of money not available. If the taxable incomes amount to 1000 millions in 1919 and 1920, then, obviously, the rate of taxation will require to be only one-half as great as it would require to be did the taxable incomes amount to 500 millions only during the same period.

The way to lighten the burden of England's taxpayers during the next five years is to double their wealth. This can be done by furnishing ample money to all businesses and industries, for tremendous opportunities

will be at hand. If the wealth of England in 1914 was 20,000 millions, and if the war debt in 1919 is 7000 millions, it will be 35 per cent. of the whole wealth of the nation. If during the next five years all business opportunities can be fully exploited, and the wealth of the nation doubled, as it would be upon the adoption of Liberty Currency, the debt will only be 17½ per cent. of the nation's wealth. If the levy on capital were attempted, or if an ample supply of money were not available, there would be great danger of stagnation in every trade, with a great shrinkage of values. In one year the wealth of England might shrink to 16,000 millions, when the National Debt would amount to nearly half the nation's wealth. It would be a dangerous thing to diminish the wealth of England. The adoption of Liberty Currency would prevent this diminution. By its adoption the wealth of England would be doubled in five years, and the payment of that balance of the debt which Liberty Currency had not lifted would be an easy task. One more consideration before the outlines of this currency are given. All

manufactories now pay excess profit taxes of 80 per cent. Liberty Currency would enable all manufacturers and merchants, for years to come, to show excess profits over the five years preceding 1914 ; and if the Government were to authorise the issue of Liberty Currency, it could collect, at the same time, an excess profit tax of, say, 30 or 40 per cent., calling it excess Peace Tax, to take the place of excess war taxes. The amount that could be collected in this way, were Liberty Currency available, would total a tremendous sum per annum for a great number of years. Moreover, Liberty Currency would bring thousands of incomes into the income tax class, greatly increasing the income tax collections and decreasing the income tax for everybody.

CHAPTER III

WHO CAN OBJECT ?

The Labouring Man cannot object to the issue of Liberty Currency, as it would assure him of years of untold prosperity and good wages. With his savings in war stock he could, if he wished, buy a home, or pay the debt on the one he already lives in. He would not need to go to a bank in order to get the money, but would surrender his War Savings certificates, or his war stock, receiving Liberty Currency in return.

The Real Estate Owner cannot object, as it would cause a tremendous revival of the values of real estate, and enable him to sell his property at high prices.

The Members of the Stock Exchange cannot object, as it would treble their business within a year. Never in history have they done such business as Liberty Currency would bring them.

The Manufacturer cannot object, as he would be enabled to do a greater amount of business in one year than he has ever done in three, for there will be a world-wide demand to supply.

The Mining Companies cannot object, as mines of all kinds would be worked to the utmost limit of production to supply the raw material which the world will need.

The Transportation Companies cannot object, as the demand for transportation by sea and on land will be greater than ever before.

The Merchants cannot object, as their premises must be enlarged to handle the increased trade.

The Banker is the only individual who might object to the issue of Liberty Currency, for the holder of war stock would deal directly with the Government, thus avoiding the necessity of raising loans to supply his needs. But the possibility of liquidating nearly 50 per cent. of England's war debt would doubtless over-rule any objection which he might raise. If a large majority of the people of England demand Liberty Currency, the banks must not stand in the way of its

adoption, and it is the hope of the author that if the majority of the people of England demand it, they will have the power to see that a law authorising its issue is passed by Parliament.

Liberty Currency would unwind the financial snarls of the period after the war. Money has been invested in war stock in order to ensure our freedom from German domination; and on the issue of Liberty Currency bonds to the value of 3000 millions would revert into money, thus establishing industrial and financial freedom.

CHAPTER IV

AFTER-WAR CONDITIONS

THE tremendous problems confronting all the nations and peoples after this war will be as complicated and as difficult as those of the last four years. If disarmament is not accomplished our burdens will be unbearable, and life will hardly be worth the living. If universal peace is established, and the Great Plan accepted, it will be a world of plenty, and a glorious day will dawn upon earth; all the endeavours of man will be blessed; the industrial progress of the world will advance centuries in a single generation, and the unbounded prosperity thus established will convince man that war is needless, and armies and navies a useless burden.

With the military power of Germany crushed, as it will be, there should be no

possibility of further war, and no reason why great armies and navies should be maintained to fight that which would be only a ghost of the past.

The first and most important problem confronting England is the building, as soon as possible, of 2,000,000 tons per annum of new mercantile shipping, to maintain our overseas trade at its past figure, and to wrest from Germany the trade which was formerly hers, which trade England can now obtain by supplying the ships needed to secure it.

The second problem is the need of 1,000,000 new homes, to be built at the rate of at least 200,000 per annum for five years.

The third problem is to rebuild or remodel the manufactories now employed in war work for industrial production, and at the same time to build hundreds of new factories to supply goods which were formerly made in Germany. This will necessitate the formation and flotation of hundreds of industrial companies, and an increase of the capital of hundreds of companies which, with the advent of peace, will find their capital inadequate for the new conditions.

For years we shall see flotation after flotation of new companies, which will be needed to revive industrial England and establish it on a sure and strong foundation. The people of England must now recognise these facts and make provision for the day of peace; a day which will be pregnant with blessings if it is anticipated and provided for, since, with the establishment of peace and the provision of adequate financial resources, a future of unprecedented prosperity would await the people of England. Otherwise we shall experience the greatest unrest and distress ever known in this country, *and opportunities will have been lost which will never recur.*

This booklet is a John the Baptist call to prepare for the day of peace; for if this brings disarmament, all the wealth and labour of the nation will be used in the rebuilding of the world, in the construction of new values, and the saving of existing ones. Each man will be a unit factor in the task of creating new wealth to replace that lost; all money will be employed in the re-establishment of prosperity. Disarmament will give back to

the industrial world at least 7,000,000 men who will not otherwise be available. Their creative value, if each man's work is only worth ten shillings per diem, is equal to £3,500,000 of new wealth created each day, which in forty years would be equal to the cost of the war: wealth which will not be created unless disarmament is established. The savings to be effected by international disarmament would amount to £400,000,000 per annum, which in one hundred years would be equal to the cost of the war.

But if disarmament and universal peace are not established, what are the problems confronting England and the world? They are all that are mentioned above, plus the most tremendous burdens ever contemplated, worse almost than those of this war, except as regards the loss of lives.

As these added burdens would prevent the lifting of those already existing, they too would be annual burdens, which would increase day by day. The only object of man's life would be the payment of taxes, with no possible escape except death; the burdens and anxieties of life would be so great that

they would materially shorten the span of life; and no government would be able to exist for longer than a few months, while in some countries there would be no government, but mob rule. The attempt to undo the ravages of this war, and to prepare for future wars, would produce a kaleidoscope of distressful chaos for our daily contemplation. The enumeration of all the tasks to be attempted by the peoples of Europe, if all war implements are to be preserved, must be left to the historian of the future. But a great number of the things which must be done are apparent now. The blue sky is at present the only roof required by the endless numbers of guns and tanks and the masses of ammunition sent to the front each day; they are either in use or on the way to the line of battle. But if peace comes all this material must be brought back to England; the buildings which will be required to house the guns alone will cover 600 acres, if there are, as is supposed, 15,000 guns now at the front or in the reserve depots. The guns of all the nations now at war probably number some 75,000; and to house these guns alone

buildings would be required which would cover 3000 acres, and would entail a fresh expenditure of money which would run into millions. To house the tanks properly would require at least half this space, while the storage capacity required by all the ammunition and small-arms cannot be estimated. Thousands of new up-to-date aircraft would be constructed by each nation, and hundreds of underground aerodromes built to house those now in the fields. To do this, and to keep all this war paraphernalia in good order, would keep thousands of men from productive employment.

When this war ends all the warships now at sea, all the submarines and submarine-destroyers, must be brought home, and great harbours must be constructed to hold them, or they must occupy valuable space in existing harbours. The upkeep of these would be a tremendous, almost a hopeless task, and a needless one if all the nations would adopt the Great Plan. If all implements of war were scrapped, and the material utilised in the upbuilding of commerce, then, should there in the future be any question of war,

all nations would start alike from the zero point. As it takes months to prepare for war, international differences might be adjusted during the period of preparation, and war averted. At all events, were only ten, fifteen, or twenty-five years to elapse before such a crisis, an enormous annual expenditure would be saved; and this alone would in part repay the great losses due to the war, a saving which would make the experiment well worth trying.

True, disarmament is a startling step, but our war debts can be liquidated in no other way. The conditions which will confront us after the war cannot be remedied save by drastic action on the part of the world. And the sooner this is realised the better it will be for all.

Do not let us worry ourselves by speculating whether, in two generations from now, our nation may again go to war. We may not be here; and if we are we shall have enjoyed two generations of the greatest prosperity the world has ever known.

Labour

There is a prevailing idea that when this war is over labour will return to pre-war wages. This is a sheer delusion. Such a thing can never come about unless, as was mentioned in the first chapter, want reigns in all countries alike, and starvation forces the workers to return to lower wages.

The prices of all articles must be adjusted to higher wages, as the man who now earns fifteen shillings per diem will not peacefully return to six shillings and sixpence per diem. The attempt to force him to do so would cause an industrial revolution ; strikes would tie up all industries and all means of transportation. There may be a moderate reduction of wages, as the cost of living becomes reduced, but there can and will be no return to pre-war rates of pay in any industry in which labour is employed, and this is the first important argument for the adoption of this plan of Liberty Currency.

Transportation

The cost of labour for all time will be higher than ever before, greatly increasing

the cost of transportation on land and sea. Never again will rail and water rates be as low as they were before the war. The cost of building steamers will be much higher; while locomotive engines, rolling-stock, rails, sleepers, and all railroad supplies, will be purchasable from now on only at greatly increased prices: so that the cost of freight and of travel will remain much higher than it was before 1914. This is unavoidable, and this is the second argument for the adoption of Liberty Currency.

Material

As labour will demand and receive higher wages than before, and as transportation will be far more costly, the metals and raw materials of all kinds absorbed by manufactures will also be sold at a higher level of prices, ranging from 25 per cent. to 200 per cent., and in some cases 300 per cent. greater than the old prices. It is useless to expect that raw material of any kind will again be sold on pre-war terms. All manufactured goods will remain at greatly increased prices, and the salaries of salesmen,

and their daily expenses, will have to be calculated on a new and much higher scale. It is right and just that these conditions should prevail; but, whether right or just, they *will* prevail, and to attempt to thwart them would only be to kick against the pricks. Business would stagnate while the attempt was being made. This is the third argument for the adoption of Liberty Currency.

Financial

Ample money is the heavy artillery of prosperity. Without it the coming years will be fraught with danger. Before this war the wealth of Great Britain was estimated at 20,000 million pounds, and the National Debt was £600,000,000, *or* 3 *per cent. of the national wealth*, while the cash in the banks was *less than* 10 *per cent. of the wealth*, and the expenses of government less than £200,000,000 per annum. Now the debt is equal to nearly 40 per cent. of the wealth, and the annual expenses will be over £700,000,000 per annum, possibly £800,000,000. If the taxes before 1914 were 3s. 6d. on the pound, now that the Govern-

mental expenses are four times what they were, the taxes (if Liberty Currency or the Great Plan is not adopted) must be four times what they were, or 15s. in the pound. There is no way to escape this taxation, except by repudiation, which is unthinkable, or by a levy on capital, which is not practicable. But part of this burden can be lifted, and one-third to one-half of the war debts paid by Liberty Currency, even if the Great Plan is not accepted. This matter will be dealt with in a later chapter ; in this we are dealing with after-war conditions only.

We have already reviewed the after-war conditions of labour, transportation, and material ; now let us consider the great need of more money than was in circulation before 1914, and the imperative need of new money when the war is ended. If the manufactories of England were to do only the same amount of business per annum as they did before 1914, how, with labour, transportation, and material costing 25 per cent. to 300 per cent. more than it did then, could the same volume of business be carried unless there was at least twice as much money in circula-

tion? It would be impossible. When the war is over there will be an unprecedented need of restocking and rebuilding in every line of trade and industry; we shall see a period during which all the factories will have to work night and day in order to supply the demands upon them. With three times the old demand, and all prices augmented, any attempt to carry on this great volume of business with the same amount of money as that in circulation before 1914 would be disastrous. In reality the business of the country will call for at least four times as much money as was then required. With twice to three times the volume of business, and the cost of material and labour twice to three times what it used to be, the existing amount of money would be only a sop in the bucket. This must be understood and provided for before peace arrives, for the required relief must be available on the conclusion of peace, when the sale of war stock will no longer be possible. Immediate organisation for united action is the only means of averting a great industrial and commercial world catastrophe.

There was only one way to carry on the war: to increase the Nation's Debt. Had the money not been available, history would not have been worth writing. It would be better that the world should come to an end than that Germany should be victorious, and all that man holds dear lost. But to attempt to emerge from this period of fictitious prosperity into the overwhelming after-war opportunities without previously preparing a comprehensive financial scheme would be disastrous. The financial wreckage would not be worth salving. Liberty Currency offers a straight highway whereupon the wheels of industry may run safely and smoothly from fictitious prosperity into real and permanent prosperity.

CHAPTER V

A FIFTY YEARS' LEAP, OR MONEY *VERSUS* REQUIREMENTS

To bring prosperity to England and all other nations after the war the supply of money must be equal to the demand. It would be a suicidal policy to restrict the scope and the needs of business to the volume of money which now exists. In the United States money has increased from less than $17 *per capita* in 1879 to over $50 in 1918, yet there is far from enough money in circulation at the present time. All kinds of restrictions are in force; money cannot be sent out of the United States without the Government's permission; and no new companies may be floated without the approval of a committee appointed by the Government. The large manufacturing plants, railroads, and public service corporations obtain

accommodation not from the banks, or by means of public flotations, but from the Government—a course which would be unnecessary if there were ample money in circulation. This increase of $33 *per capita* during a period of thirty-nine years had practically supplied the demand for money until the outbreak of the war, since there was never any such tremendous call for money as there is at the present time; had there been, it would have been necessary to increase the money in circulation, or stagnation of business would have resulted. At the end of this war, when the Government will no longer be willing to afford credit in order to meet the abnormal requirements, there must at once be an increase of the money in circulation equal in amount to the expansion which would have occurred, under natural conditions, during the next forty or fifty years. If this increase of currency is not arranged for, the merchants and manufacturers will be unable to supply the demands upon them.

The money in circulation must be equal to the commercial needs in all countries.

Business will at once take a great stride forward, making an advance as great as would have been effected in forty or fifty years of peace, during which only a steady and progressive development would have been accomplished. At one stroke the volume of money must be increased to a figure which, under ordinary conditions, it would not have reached until two generations hence. Wages and material of all kinds will stand at a higher level in 1919 and 1920 than would have been reached under natural conditions within fifty years. To ensure favourable conditions after the war the view-point of statesmen and bankers must be what it would have been fifty years hence had there been no war. In thirty-nine years the *per capita* wealth of the United States has increased by 200 per cent. During that time we may fairly say that business of all kinds has also increased by 200 per cent.; and when the war is over the demand in all nations will be greater by at least 200 per cent. than it was before 1914; that is, it will have increased to three times the pre-war figure.

To supply this demand the volume of money in circulation must be increased in the same proportion as the business to be done. The rebuilding and restocking of the world will compress three years' business into one year. It will not be a natural demand with which we shall have to deal, but an abnormal demand brought about by restricted supplies and wholesale destruction; and it will not be possible to supply this demand without a so-called inflation of currency. This last is the only solution. Not only will there be a great demand for all the articles made and used before the war, but, since the war has brought to light many weak spots in the economy of every nation, there will be hundreds of new demands and hundreds of new uses for money, which, but for the war, would perhaps have been made and adopted by future generations.

As soon as the war is over England will begin to manufacture all those products for which she formerly looked to Germany. Hundreds of thousands of acres now devoted to pheasants will be brought under cultiva-

tion, and will become the homes of peasant proprietors, so that the domestic production of crops should be increased by 50 to 100 per cent.

During the last three or four years, owing to the greater earning powers of labour, a new and varied demand has sprung up for goods not formerly consumed, and also for higher-priced goods. Articles which in former years were considered luxuries by the labouring man are now regarded as necessities. These new demands will necessitate a great increase of production, for the labourer is now able, and will expect, after the war, to buy articles which his grandchildren might normally have afforded fifty years hence.

This increased production will call for much more money than has ever been in use before.

It would be a mistake to expect the business of the nation to undergo this great development with only bank credits to rely upon. For years after this war the nations will be confronted by new conditions, and will be working out new and stupendous problems. It would be unwise to allow

too great an extension of banking credit. Banks and bankers will have their hands full with new flotations. To permit these tremendous needs of the times to be supplied by borrowed money only would be to build up the future foundation on sand.

Bank directors will seek to safeguard their banks, and with credit strained to the breaking-point it would be very unsafe to allow the future to depend upon bank loans only, as these loans might be called at a most inopportune moment.

Some one may whisper to your bank manager that " somebody says " that you are extending your credit, or that your paper is not gilt-edged. Your loans will be called in, for what " somebody says " is unhappily of great importance. Mere gossip and rumour have broken any number of good men, and have ruined many promising companies which might have succeeded had they not trusted their future to bank loans. The future must not be built upon shifting sand, but on the rock foundation of ample money. By converting 3000 millions of debt into 3000 millions of Liberty Currency this much-

needed money would be supplied, and the merchants and manufacturers of England would be enabled to do three years' business in a year, thus decreasing the taxation to be imposed in 1920.

Those in power are the shepherds, and it is their present duty to lead their sheep to green pastures beside the still waters ; and unless they do so, the sheep will stampede, chaos will reign in the heart of the nations, and it will take generations once more to gather the flocks together.

CHAPTER VI

THE STRENGTH OF THE NATION

WHICH would make for the stronger England: to leave the nation with 3000 millions of war stock as fixed interest-bearing obligations, or to exchange it for 3000 millions of Liberty Currency bearing no interest? It must be admitted that heavy debts do not constitute strength, while ample money with gold to redeem it does.

To issue a large volume of money unless there were a genuine need for it would cause disastrous inflation. To leave the 3000 millions of the war debt in war stock would leave a burden of 5 per cent. interest, which must be drawn from the people by taxation.

To leave such a large amount of the wealth of England invested in war stock would mean a millstone round the neck of the people, and a strangle-hold on the wind-

pipe of industry. If this 3000 millions were exchanged for Liberty Currency, this burden would be lifted, and the money thus issued would seek investment elsewhere, in business, in real estate, in stocks and bonds, in new enterprises and foreign trade, and would thus earn interest through legitimate use, which would develop and increase the wealth of England. England's next budget would call for £150,000,000 less money, which would mean a great saving in taxation; moreover, the collection of this £150,000,000 would necessitate elaborate and extensive Governmental machinery, the cost of which would amount to quite ½ per cent. of the sum collected; and this also would be saved. But there is another tremendous factor that must not be lost sight of: all real estate, all listed and unlisted securities, would acquire a greatly increased value when this large volume of money came on the market for investment; hundreds of new companies, too, could be formed to supply new needs, which could not otherwise find capital. All this would mean the creation of new taxable wealth. The increased value of real estate and other

investments, during the first year after the issue of Liberty Currency, would be at least 10 per cent. to 15 per cent. higher than if this 3000 millions were to remain tied up in war stock. This would spell progress; but to tax the 5 per cent. needed from the people, in order to pay the interest to the people on this 3000 millions, would not be progress; rather would the citizen be condemned to a tread-mill, getting off just where he got on, but poorer by the cost of the operation.

If this war had not abnormally advanced the prices of labour, material, and the cost of living, this money might not be needed. If there were not hundreds of new needs, then Liberty Currency might be a drug in the market; but when four shillings are now required to buy what two shillings would purchase prior to 1914, and when England is losing 90,000 tons of shipping each month, there is need of all this money, and it would be money which would benefit the nation in two directions: firstly, by reducing taxation; and secondly, by augmenting the prosperity and wealth of England, increas-

ing incomes, and thereby reducing the taxation rate per pound.

Liberty Currency, from the mere fact that it would be currency, could not be worth less than the bonds it would displace; it would, in fact, always retain the same value as Bank of England notes; and £1000 of this currency would have a greater value than the £1000 worth of war stock which it would redeem, as there would be 3000 millions less of war stock on the market.

It would not in any way entail an increase of the Government's obligations; it would be a different kind of obligation, and one easy to redeem at the dates due. The fact that it would only be issued if applied for would eliminate any danger of shrinkage in value, and with 3000 millions of war stock paid off in this manner there would not be such a flood of sellers as there would otherwise be, so that the balance would remain at a much higher value, and with only 3000 to 4000 millions left it would in a few years be possible for the Government to refund the stock on a 4 per cent. basis.

This exchange of 3000 millions of war stock for 3000 millions of Liberty Currency would save the Government £150,000,000 per annum in interest charges, a sum equal to three-fourths of the annual expenses of the Government before 1914; and it would also save the expenses connected with the collection and disbursement of this vast sum of money, thereby decreasing the taxation of income by at least 2s. 6d. on the pound.

Liberty Currency would create a stronger nation; it would provide ample money for all our coming needs; increased wealth for millions of Englishmen would be created by its use; and England would thereby be enabled to maintain her enviable position among the nations of the world.

CHAPTER VII

HOW TO REDUCE YOUR INCOME TAX

You cannot sail the ship of prosperity into uncharted seas after the war and leave the stern moored to the wharf of precedent. Neither must you bury the nations of the world under mountains of debt, and unsupportable burdens of taxation, refusing to supply them with the tools (ample money) with which they can dig themselves out. This war has cost eight times more than all other wars for the last 125 years; its cost, indeed, is equivalent to twice the value of all listed securities in all the stock markets of the world. Therefore new plans must be devised to meet new conditions, for to attempt to meet the new conditions with old methods would be like attempting to force a 12-inch stream of water through a 1-inch pipe. Only ample money, derived directly

from the Government, will suffice for the urgencies of the moment. Everyone is now anxiously wondering what will be left to him in the future after he has paid the income taxes that must be levied in order to liquidate the tremendous expenses with which his Government will be confronted.

It is plain to any thinking man that if half the war debt can be lifted his taxes will be reduced. All business men are to-day wondering where the money will come from to satisfy their needs when peace arrives.

They are aware that a tremendous problem confronts their nation, yet no well-devised plan has as yet been presented which would in any way mitigate the conditions to be faced.

It is not necessary to wait for the world to adopt the Great Plan, for Liberty Currency would afford partial relief immediately. Liberty Currency would lift £150,000,000 of annual interest charges during the first five years after its adoption. The relief to all taxpayers from this one result of the scheme would, therefore, be tremendous, the very year it came into effect. But a still greater

reduction would be due to the fact that with ample money great prosperity would ensue, and this great prosperity would entail increased incomes, and would also bring thousands into the income tax paying class who otherwise would not be liable to income tax.

With the taxable incomes doubled in number, the income tax would be reduced by one-half.

Therefore, if the majority of the taxpayers of England insist that their Government shall adopt Liberty Currency, they will enjoy larger incomes, and the rate of taxation will be much lighter. Liberty Currency will no doubt be termed inflation, but how can the tremendous inflated debts of the nation, and the inflated taxes of all kinds, be dealt with excepting by means of inflated (or increased) money? It is the only solvent for these conditions.

This is the time to provide for the enormous mass of business which awaits Great Britain when the war ends. It must not be left to the mercy of the discount boards of the great banks, as their loans

might be called at a most inopportune time, just when the money was most needed. Neither is it wise to expect that the needs of industry will be supplied by the stock market. It will be better to employ all the machinery of the exchanges in placing new issues. This is the time for a short cut between demand and supply, and Liberty Currency furnishes the only safe means whereby all taxes could be reduced and great prosperity assured.

The adoption of the Great Plan, followed by disarmament, would lift the burden of the war debts of all nations, enabling the latter to return to their pre-war taxation, and would ensure peace and prosperity for generations to come.

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The 3000 millions of war stock which Liberty Currency would displace is a direct obligation of England's; interest-bearing, burden-producing, non-liquid, and only convertible by means of bank loans or stock market sales. The 3000 millions of Liberty Currency would also be a direct obligation of England's, but it would be non-interest-

bearing; it would not need to be turned into cash, for it would be cash, and therefore liquid; while it would be redeemed upon such easy terms that the gold mines owned by English companies alone would produce each year enough gold to take it up when called in by the Government. During the first five years of issue it would not constitute a burden at all; it would reduce taxes, and make for prosperity. Which is to be preferred? It is for the majority to decide this question.

CHAPTER VIII

CONCLUSION

THE adoption of Liberty Currency would afford immediate relief the moment peace is concluded, but it would not bring about the lasting and permanent relief which the Great Plan would afford. Disarmament must be accomplished; it is the only means by which the war debts of the world can be paid; but, given disarmament, their payment is an easy problem. To give up our armies and navies is a radical step; and the question arises, Can it be done at once? Or must the world groan and suffer for years to come until the lesson is learned that in this war-sick world it is useless to maintain them? If armies and navies are abolished, excepting only those required to police the land and sea, there is nothing to fear. Existing armies and navies may be feared, but no one will fear non-existing armies and navies. The unique

feature of the Great Plan is that all the world would be kept in the paths of peace by the bond currency issued under the said plan; thus every man and woman in the world would become a guardian of peace. Their prosperity and finances would be jeopardised the moment their nation goes to war, as the bond currency would circulate in all the quarters of the world. And the basis of it would be peace. But, while maintaining peace, it would also save the nations of the world some £400,000,000 per annum, and would be far more potent to maintain peace than our armies and navies, which will cost at least £800,000,000 per annum if the world remains on a war footing—a difference of £1,200,000,000 per annum. By the Great Plan the war debts would all be liquidated; without it they will annually increase. The difference between these two methods of maintaining peace is the difference between bankruptcy, ruin, and despair, and peace, prosperity, and plenty.

It is now impossible to stand still; neither can we return to pre-war conditions. We must advance, or matters will grow rapidly

worse. If world-wide prosperity follows the war, and the wealth of the nations increases by leaps and bounds, labour will be fully employed and contented; but otherwise the spirit which animates Russia will seize the reins in other nations. Efforts will be made to nationalise all but the air man breathes. This will mean the separation of capital and labour, which during the war have been united, and a very nightmare of unrest will be the result. Taxes will be increased by expedients now undreamed of; incomes will be reduced, owing to the lack of courage to take advantage of such opportunities as offer; bread-lines will be formed in the large cities, and the freedom gained on the battlefield will be followed by slavery to bankruptcy and want.

We owe it to the dead who have given their lives for their nation that the glorious inheritance which they have made ours shall not be lost by the mistakes of the living. But if we are to prevent mistakes the problems of peace must be anticipated; for it will prove as disastrous to be unprepared for peace as it was to be unprepared for war. We must not resort to drastic action such

as the imposition of a levy on capital, as to do so would be to antagonise a large majority of the people.

The issue of Liberty Currency would not be a drastic action. No holder of war bonds or stock would need to accept it unless he chose to do so, and if he did so choose, he ought to have the opportunity of accepting it. The nation would not force it on him as a levy on capital would be forced. Nor would the issue represent a levy on war bonds or stock; it would be a safety-valve only, to be utilised at a time when the pressure on the financial resources of banks would be severe. Liberty Currency is an isolated plan, to be worked out by one or several nations. The Great Plan would pay all the world's war debts, but it would have to be adopted by the whole world. Universally accepted, it would obviate all excess taxes, and would further *anticipate* and *capitalise* the benefits and savings which would proceed from universal peace, and this it would do without the cost of a farthing to anyone in the world, in addition to making future war impossible.

The Currency issued under the Great Plan would be the best currency which the world would ever have seen, as there would be gold to pay it, universal peace to maintain it, and prosperous people in all nations to enjoy it.

The blessings to be derived from the Great Plan would reach from Siberia to Tasmania, from Alaska to Patagonia.

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One great benefit to be derived from Liberty Currency, were a Bill introducing it to be passed at once, is that it would favourably affect the sale of war stock and bonds at the present time, for if people having idle money to invest knew that there was a means whereby, after the war, they could readily convert their holdings into cash again, they would be more willing to invest. Also the fact that the war debt of Great Britain would be reduced nearly 50 per cent. by Liberty Currency would make the balance of the issue look much more attractive to holders who wished to retain their holdings as a permanent investment. It would also be a great factor in maintaining the market price of war

bonds. Obviously, it would be much easier for the Government to pay the interest on 4000 millions than that on 7000 millions.

This plan of Liberty Currency is an honest endeavour on the part of the author to assist in solving the war problems of England, a country of which he is a great admirer, and in which his ancestors lived for generations and occupied prominent positions. The British people is a race from which he is proud to spring, and the British nation, he hopes, will emerge from this conflict with honour. He trusts, moreover, that the future years will be fraught with untold blessings to all the peoples and lands forming the British Empire; blessings which will be reflected upon other peoples, penetrating and permeating all parts of the world. A book written by the author in 1910 contains the following chapter, which illustrates his high regard for the Englishman :—

The Englishman

The Englishman is the most successful coloniser and settler whom the world has ever known. He governs one-fifth of it,

and he rules over one-fourth of the population.

He thinks in continents.

English universities and the English Church have impressed their mark upon the world.

Wherever the English flag flies, investments are safe. What is of paramount importance, the Englishman's Government is clean.

Everywhere he is the pioneer, and his flag flies in every port of the world.

He lands in New Zealand ; he teaches the natives to plant and grind grain, and soon New Zealand is a part of the Empire. He founds a convict colony in Botany Bay, adding a new continent to the realm. He founds the East India Company, wresting the trade of the Eastern Empire from the Dutch and Portuguese, and bringing home the wealth of India.

He develops, explores, and colonises Canada and the North-West, by founding the Hudson Bay Company, and the steel ribbon of his railway extends from Halifax to Vancouver.

He explores the wilds of Russia ; penetrates Thibet, reaching the forbidden city of Lhassa ;

penetrates to within a hundred miles of the South Pole.[1]

The Englishman marches into unexplored regions, making terms with the native chief, and the flag of England flies over one more protectorate; the light of civilisation arises from the soil that has reeked with the blood of victims captured in war; in after years the son and grandson of this bloody chief study in English schools, to carry back the seed of education that it may germinate in the old homes, there implanting the love of the English flag, and the progress for which it stands.

He fishes for pearls in India; grinds into paper pulp the spruce of Newfoundland; makes soap in Holland; erects packing houses in Uruguay and Paraguay; bottles water in Germany, and brews beer in Brazil.

The Englishman herds sheep in Australia and New Zealand; searches the forests of Brazil for rubber, and cultivates it in Ceylon; plants cotton on the highlands of Central Africa; sails the Nile, and reclaims its lost

[1] This, of course, was written before he had actually reached it.

tracts of desert, making them yield a thousand-fold ; grows tea in Ceylon, and in India, and spans their torrents, penetrating their fastnesses with the rails of commerce.

He institutes banks in all new countries, with branches in London, and his Bank of England fixes the discount rate for all the world.

The Englishman drills for oil in Russia, India, Persia, the United States and Mexico ; builds refineries, and establishes steamship lines to carry oil to all the continents.

He digs for coal in China ; mines nitrate in Peru ; prospects for ore in Russia ; delves in the mines of the Rand ; redeems West Africa, and opens its treasure-house of gold.

He builds great sewerage systems and docks in Mexico, and wharves in Uruguay, and equips the cities of the Argentine with trams and electric light.

The Englishman harnesses the waterfalls of Brazil and Mexico, and furnishes electric light and power to their cities. He operates trams in Calcutta, constructs railroads in Turkey, and controls the Suez Canal.

He spans Tehuantepec, linking the Atlantic with the Pacific ; owns the railroads of Peru ; climbs the Andes, and connects the Argentine with Chili ; and, realising the dream of Cecil Rhodes, commences a railway from the Cape to Cairo.

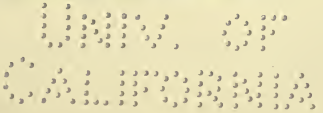
Such is the Englishman. His word is his bond ; he is square in his dealings. All he wants is his share. He is a sportsman, loving horses, cricket, and football. Worcestershire sauce, and evening dress, and Bass's ale follow the English flag.

He does not care unduly for great wealth, and he knows when to retire, not wishing to die in harness. He is the best friend in the world, and, once you win his confidence, it is your fault if you do not keep it to the end.

He trades in every clime ; he has been God's right-hand man in hastening the hands of progress.

Macaulay says, " The history of England is the history of progress."

The numerous tongues disseminated after the fall of the Tower of Babel are being more and more unified, as English is becoming the language of the commercial world.



The Englishman has millions of money in our enterprises, and is willing to invest more.

We speak his tongue ; we inherit his daring.

England is for millions of us the home of our ancestors, and we glory in the fact.

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